

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 OPIC-03  
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15  
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FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC IMMEDIATE 5599  
INFO ALL EC CAPITALS

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USEEC, PARIS ALSO FOR USOECD

E.O. 11652: N/A  
TAGS: EEC, EFIN  
SUBJ: EC FINANCE COUNCIL, MARCH 20, 1978

REF: 77 BRUSSELS 14506

1. SUMMARY: THE MARCH 20 EC FINANCE COUNCIL CONSIDERED A PROPOSAL BY EC COMMISSION VICE PRESIDENT ORTOLI THAT THE COMMUNITY ADOPT A COMMON STRATEGY FOR ECONOMIC EXPANSION, BUT THE MINISTERS WERE UNABLE TO REACH ANY CONCRETE DECISIONS ON SPECIFICS OF SUCH A PROGRAM. THE COMMISSION PROPOSAL WILL LIKELY BE DISCUSSED BY THE APRIL 7-8 EUROPEAN COUNCIL MEETING IN COPENHAGEN, BUT EXPECTATIONS NOW ARE THAT ANY SUBSTANTIVE DECISIONS WILL HAVE TO AWAIT THE JULY 6-7 EUROPEAN COUNCIL MEETING IN BREMEN, IN VIEW OF GERMAN INSISTENCE THAT THE FRG WILL BE UNABLE TO MAKE ANY NEW ECONOMIC POLICY COMMITMENTS UNTIL AFTER AN ASSESSMENT IN MAY OF THE EFFECTIVENESS OF ITS CURRENT POLICIES. DANISH FINANCE MINISTER HEINESSEN (COUNCIL PRESIDENT) INDICATED TO REPORTERS AFTER THE MEETING THAT

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COMMUNITY DECISIONS AT THE BREMEN EUROPEAN COUNCIL MIGHT FORM THE BASIS FOR DECISIONS BY THE JULY WESTERN ECONOMIC SUMMIT IN BONN. THE MARCH 20 COUNCIL AGENDA ALSO INCLUDED DISCUSSION OF THE EC'S 1978 ECONOMIC POLICY GUIDELINES AND OF MONETARY QUESTIONS. END SUMMARY.

2. COMMISSION PROPOSAL FOR ECONOMIC EXPANSION STRATEGY:

ORTOLI OPENED THE COUNCIL'S RESTRICTED SESSION BY OUTLINING THE COMMISSION'S PROPOSALS FOR A STRATEGY AIMED AT CONCERTED ECONOMIC EXPANSION IN THE COMMUNITY. ORTOLI'S REMARKS SUPPLEMENTED A CONFIDENTIAL COMMISSION PAPER WHICH HAD BEEN DISTRIBUTED AMONG THE MEMBER STATES PRIOR TO THE COUNCIL MEETING. THE COMMISSION SPOKESMAN DID NOT BRIEF THE PRESS ON THE SUBSTANCE OF ORTOLI'S REMARKS; HOWEVER, AT A POST-MEETING PRESS CONFERENCE, UK CHANCELLOR THE EXCHEQUER HEALEY QUOTED ORTOLI AS HAVING DELIVERED A PESSIMISTIC APPRAISAL OF THE COMMUNITY'S GROWTH PROSPECTS. ACCORDING TO HEALEY, ORTOLI CLAIMED THE EC HAS MAINTAINED AN AVERAGE GROWTH RATE OF ONLY 1.6 PERCENT SINCE 1974 AND THAT, UNLESS FURTHER ACTIONS ARE TAKEN, THE EC'S 1978 GROWTH RATE WILL BE UNDER 3.5 PERCENT, WELL BELOW THE 4 TO 4.5 PERCENT TARGET AGREED BY THE COUNCIL LAST NOVEMBER (REFTEL). HEALEY SAID ORTOLI ASKED THE COUNCIL TO ENDORSE AN OBJECTIVE OF 4.5 PERCENT FOR THE PERIOD RUNNING FROM JULY 1978 TO THE END OF JUNE 1979.

3. AT AN EARLIER PRESS BRIEFING, A UK SPOKESMAN SAID ORTOLI ASKED THE COUNCIL TO TAKE A DECISION IN PRINCIPLE ON A COORDINATED COMMUNITY GROWTH PROGRAM, MANDATING THE COMMISSION TO BEGIN AN ANALYSIS OF POSSIBLE MEASURES EACH MEMBER STATE MIGHT TAKE, APPROPRIATE TO ITS LIMITED OFFICIAL USE

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NATIONAL CIRCUMSTANCES. ORTOLI SUGGESTED THAT THIS DECISION IN PRINCIPLE COULD THEN BE CONFIRMED BY THE APRIL 7-8 EUROPEAN COUNCIL AND THAT SUBSTANTIVE DECISIONS ON SUCH A PROGRAM COULD ULTIMATELY BE TAKEN BY THE JULY 6-7 EUROPEAN COUNCIL.

4. BOTH HEALEY AND HEINESSEN EMPHASIZED TO REPORTERS THAT THERE WAS A BROAD MEASURE OF AGREEMENT AMONG MEMBER STATES AS TO THE DESIRABILITY OF COORDINATED COMMUNITY ACTION ON THE GROWTH FRONT; BUT BOTH INDICATED THAT THE GERMANS EXPRESSED RELUCTANCE TO COMMIT THEMSELVES TO ANY NEW PROGRAM FOR THE TIME BEING. FRG ECONOMICS MINISTER LAMBSDORFF HIMSELF ACKNOWLEDGED TO REPORTERS HIS GOVERNMENT'S RESERVATIONS ON THE COMMISSION'S PROPOSED DECISION TIMETABLES AND GROWTH TARGETS. HE INDICATED THAT THE FRG EXPECTS AN OVERALL 3.5 PERCENT GROWTH RATE FOR 1978, WITH POSSIBLY A 4.5 PERCENT RATE OVER THE SECOND HALF OF THE YEAR. HE NEVERTHELESS SAID THAT IT WOULD BE "AMBITIOUS" TO AGREE TO THE COMMISSION'S 4.5 PERCENT TARGET FOR THE CALENDAR YEAR BEGINNING THIS JULY. HE POINTED OUT THAT THE FRG IMPLEMENTED A NEW PACKAGE OF NATIONAL ECONOMIC MEASURES ON JANUARY 1 OF THIS

YEAR AND THAT IT IS STILL TOO EARLY TO ASSESS THE IMPACT OF THOSE MEASURES. LAMBSDORFF DID NOT REJECT THE COMMISSION'S PROPOSED STRATEGY OUT OF HAND, BUT SIMPLY EMPHASIZED THAT HE HAD TOLD THE COUNCIL HIS GOVERNMENT WOULD NOT BE ABLE TO TAKE ANY NEW DECISIONS UNTIL MAY, AT THE EARLIEST. LAMBSDORFF TOLD REPORTERS THAT HE EXPECTS THE COMMISSION'S PROPOSED GROWTH STRATEGY TO BE DISCUSSED AT THE APRIL 7-8 SUMMIT AND THAT HE BELIEVES THE COMMISSION WILL REVISE ITS PROPOSALS IN LIGHT OF THE FINANCE MINISTERS' MARCH 20 DISCUSSIONS.

4. HEINESEN CONFIRMED THIS POINT DURING THE PRESIDENCY PRESS CONFERENCE, EMPHASIZING THAT MEMBER STATES AGREED THE EUROPEAN COUNCIL SHOULD TRY TO LAY THE BASIS FOR A

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COMMON STRATEGY TO CHANGE THE CURRENT ECONOMIC SITUATION. IN SUMMATION, HE SAID THE MEMBER STATES AGREE THERE MUST BE THREE DIMENSIONS TO ANY COMMON STRATEGY:  
(A) THE STRATEGY MUST FOCUS NOT ONLY ON ECONOMIC AND MONETARY POLICY, BUT ALSO ON ENERGY, TRADE, STRUCTURAL POLICY, EMPLOYMENT, AND LDC RELATIONS--WITH EACH OF THESE AREAS TO BE ADDRESSED, IN THE CONTEXT OF AN OVERALL STRATEGY, BY THE APPROPRIATE SPECIALIZED EC COUNCILS:  
(B) THE STRATEGY MUST ENCOMPASS THE "BROADER INTERNATIONAL INTERPLAY AND COOPERATION", ESPECIALLY WITH JAPAN AND THE U.S.; AND  
(C) THE STRATEGY TIMETABLE MUST AIM AT DECISIONS FIRST BY THE JULY 6-7 EUROPEAN COUNCIL IN BREMEN AND THEN BY

THE WESTERN ECONOMIC SUMMIT IN BONN.

5. HEINESEN SAID THAT, DURING THE COMING MONTH, THE COMMISSION, WITH THE MEMBER STATES, WILL SEEK TO DETERMINE HOW MUCH ROOM FOR MANEUVER EACH MEMBER STATE HAS FOR STIMULATING ECONOMIC ACTIVITY. HE EMPHASIZED, HOWEVER, THAT THE COUNCIL HAS TAKEN NO DECISIONS, EVEN LIMITED OFFICIAL USE

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IN PRINCIPLE, CONCERNING A POSSIBLE COMMON STRATEGY, AND THAT THE COMMUNITY WILL HAVE TO AWAIT THE RESULTS IN MAY OF THE FRG'S ASSESSMENT OF THE EFFICACY OF ITS CURRENT POLICIES.

6. MORE ON THE UK POSITION:

A U.K. SPOKESMAN TOLD REPORTERS THAT HMG'S OBJECTIVE IS TO OBTAIN A CONCERTED EFFORT TO BRING ABOUT ECONOMIC EXPANSION, NOT RESTRICTED TO THE EC ALONE, BUT ALSO TAKING IN OTHER INDUSTRIALIZED COUNTRIES, PARTICULARLY THE U.S. AND JAPAN. THE SPOKESMAN EMPHASIZED THE U.K. VIEW THAT THIS EFFORT SHOULD NOT FOCUS ON GROWTH ALONE, BUT SHOULD ALSO INCLUDE ACTION ON MONETARY STABILITY, ENERGY, CAPITAL FLOWS, AND TRADE. THE SPOKESMAN SAID THAT HEALEY IS ANXIOUS TO "BREAK GERMAN INHIBITIONS ON GROWTH AND AMERICAN INHIBITIONS ON THE DOLLAR". HE SAID THE U.K. DOES NOT LOOK FOR SPECTACULAR AGREEMENTS BUT HOPES THAT "A LOT OF COUNTRIES" CAN TAKE ACTION, INDIVIDUALLY OR COLLECTIVELY, TO ACHIEVE COMMON OBJECTIVES. HEALEY LATER TOLD REPORTERS THAT, IF SUCH MEASURES ARE TO HAVE ANY SATISFACTORY EFFECT ON THE MARKETS, THEY MUST BE PERCEIVED AS BEING PART OF AN OVERALL EFFORT, RATHER THAN JUST "DRIBBLING OUT", AS WAS THE CASE WITH THE RECENT U.S./GERMAN AGREEMENT ON THE DOLLAR. HEALEY SAID THAT, IF THE EC COULD AGREE ON A COMMON STRATEGY, BASED UPON CONCRETE MEASURES FOR EACH MEMBER STATE, THIS WOULD BE A GOOD POINT OF DEPARTURE FOR DISCUSSIONS WITH THE U.S. AND JAPAN.

7. 1978 ECONOMIC POLICY GUIDELINES:

FOR THE COUNCIL'S FIRST QUARTERLY REVIEW OF THE EC'S LIMITED OFFICIAL USE

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ECONOMIC SITUATION DURING 1978, THE COMMISSION SUBMITTED TWO PAPERS CONCERNING THE DEGREE OF CONVERGENCE OF MEMBER

STATE ECONOMIC POLICIES IN 1977 AND ECONOMIC POLICY GUIDELINES FOR 1978. THE COUNCIL SIMPLY TOOK NOTE OF THE PAPERS AND DID NOT ENGAGE IN ANY SUBSTANTIVE DISCUSSION ON THIS AGENDA ITEM.

8. MONETARY QUESTIONS:

HEALEY TOLD REPORTERS THERE WAS SOME COUNCIL DISCUSSION CONCERNING THE RELATIONSHIP BETWEEN THE SNAKE AND THE NON-SNAKE EC CURRENCIES, BUT THAT NO DECISIONS WERE TAKEN. HE SAID THERE WAS A "GENERAL FEELING" THAT FLUCTUATIONS BETWEEN THESE TWO SETS OF CURRENCIES IS A "MINOR PROBLEM" COMPARED TO THE PROBLEMS OF THE DOLLAR, ESPECIALLY SINCE NONE OF THE EC CURRENCIES IS A RESERVE CURRENCY. GERMAN FINANCE MINISTER MATTHOFER CONFIRMED TO REPORTERS THAT DISCUSSION ON THIS TOPIC WAS BRIEF AND SUPERFICIAL. HE ADDED THAT, ALTHOUGH THE FRG WOULD LIKE A BROADER-BASED SNAKE, HE KNEW OF NO DISCUSSION IN THAT DIRECTION AT THE MOMENT.

9. NEXT MEETING OF THE FINANCE COUNCIL:

HEINESSEN TOLD THE PRESS THAT THE NEXT MEETING OF THE FINANCE COUNCIL, SCHEDULED FOR APRIL 17, WILL ADDRESS PREPARATIONS FOR THE MEXICO CITY MEETING OF THE IMF INTERIM COMMITTEE ON APRIL 29-30. MORRIS

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## Message Attributes

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